GOODS AND SERVICES TAX

MANUAL

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RECREATION ASSOCIATION OF NOVA SCOTIA

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TABLE OF CONTENTS

		PAGE
1.	Introduction	1
2.	Federal Sales Tax System	2
3.	Overview of the GST	4
4.	Registration Issues	9
5.	Defining Tax Status of Revenues	11
6.	Purchases on Which GST May be Recovered	16
7.	Apportionment of Input Tax Credits	18
8.	Accounting and Budgeting Procedures	21
	- Municipal Recreation Committees and Commissions	22
	- Other Public Sector Body Organizations (non-profit organizations and charities)	23
9.	Reporting Requirements	25
10.	Transitional Issues	28

Appendices

A	GST Checklists	31
	- Overview Checklist	32
	- Registered Charity Checklist	43
	- Other Public Sector Bodies Checklist	47
B	Bill C-62 - Schedule V Part VI	50
	- Exempt Supplies Made by Public Sector Bodies	
C	Revenue Canada Forms	56
	- Registration Form	
	- Draft GST Return	
D	Peat Marwick Thorne Contacts	59

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RECREATION ASSOCIATION OF NOVA SCOTIA

1 - INTRODUCTION

The Recreation Association of Nova Scotia ("RANS") represents a wide range of organizations that provide varying types of recreation services and programs to the public. The vast majority of these organizations are now being faced with the burden of preparing themselves for the complexities that the proposed Goods and Services Tax ("GST") system will present.

It will be extremely important for organizations that will be required to comply with the GST system to capture the correct amount of tax on their revenues and to recover the correct amount of GST paid on their purchases. It will also be crucial for these organizations to properly plan for the impact that the GST will have on their operations as part of their budgeting process so that the organizations may plan for the cashflow implications that the GST will cause.

The purpose of this GST manual is to provide organizations with the basic level of awareness in terms of how the GST will affect their operations. The manual also deals with various planning aspects for these organizations under the GST so that they may optimize their position under the GST system to the furthest extent possible.

The manual will also serve as a foundation for a series of GST seminars that will be held across the province of Nova Scotia in order to provide specific workshop examples of how to incorporate the GST system into the operations of your organization.

The Recreation Association of Nova Scotia are not rendering professional services of a legal or accounting nature within this manual. The services of a competent professional advisor should be sought to understand fully how the GST system will affect the operations of your organization.

2 - FEDERAL SALES TAX SYSTEM

Canada's Federal Sales Tax ("FST"), which is proposed to be replaced by the GST on January 1, 1991, is currently applied on the sale price of goods manufactured in Canada and on the duty-paid value of imported goods. The general rate of tax is currently 13.5% on the majority of goods. Many items, such as food, clothing and footwear, are not subject to the tax. The Government estimates that only about 35% to 40% of goods sold in Canada are subject to FST. This provides a narrow tax base from which to derive revenues. Under FST, very few services are taxed. Those services that do attract some form of FST currently include telecommunications, cable television, and air transportation services.

Many recreation organizations currently have the ability to acquire goods either on an FST exempt basis or are provided with a rebate of the FST that they pay on their purchases. These exemptions or rebates are offered either by product, by intended use, or by virtue of the entity that is obtaining the goods. For example, the following types of goods that may be acquired by various recreation organizations may currently be afforded FST exempt status:

- clothing and footwear, including articles and materials for incorporation and home or commercial production thereof;

- certain passenger transportation equipment, excluding automobiles, acquired by a municipality;

- most educational, technical, cultural, religious and literary works.

Under the GST system, the FST exemption certificate that is currently used by many organizations will become extinct. Therefore, any purchases made by all classifications of recreation organizations that are currently exempt from FST will attract the GST. It may be possible to recover all or a portion of the GST paid on purchases, which is explained in detail through the remainder of this manual.

In order to properly budget for your organization's impact under the GST, you must determine which purchases that you make now are exempt from FST. For those purchases that are currently exempt of FST, the increase cost due to the application of the GST may be considerable. However, on those purchases which currently attract FST, there should be a decline in the price of these goods once the FST system has been removed before the application of GST.

The easiest manner to determine which purchases currently attract FST would be to contact the supplier of the goods being purchased. It would also be beneficial to request the approximate amount of FST paid on those purchases in order to estimate the amount in which the purchase price should change when those same goods are acquired after 1990 under the GST system.

3 - OVERVIEW OF THE GST

The GST is a form of value-added tax that will be imposed on all goods and services consumed in Canada after December 31, 1990 unless they are classified as zero-rated or exempt. The intended effect is to exact the full amount of the tax from the ultimate consumer of the goods or services.

Taxable goods and services are taxed at the rate of 7% at each stage they are supplied or rendered. Each amount paid constitutes an instalment on account of the tax due to that point. The tax remitted at subsequent transactions represents tax payable on value added. This process is achieved by collecting GST on the full transaction value, recovering the total of all GST incurred in the course of commercial activities and remitting the difference.

Example:

	Price	GST Collected	GST Recovered	GST Remitted
Materials sold to Manufacturer	$100.00	7.00	--	7.00
Product sold to Retailer	$500.00	35.00(3)	(7.00)	28.00(2)
Product sold to Customer	$800.00	56.00(1)	(35.00)(3)	21.00
				$56.00(1)

(1) The total of the amount remitted in stages equals the amount collected from the consumer.

(2) GST remitted equals tax on value added at that stage (7% of 500-100).

(3) GST paid by vendor recovered

The example is oversimplified as it does not take into account input tax credits relating to other business expenses. Registered producers of taxable goods and services are entitled to an input tax credit in respect of all business inputs incurred in the period being reported. There is no requirement to wait until the purchased goods are sold before claiming a credit.

For example:

	Amount Excluding GST	GST
Total monthly purchases of goods for sale (i.e. inventory)*	$500,000	35,000
Expenses for period subject to GST	$300,000	21,000
New fixtures (capital equipment)	$100,000	7,000
Input Tax Credit		$63,000

* An input tax credit may be claimed in respect of the total purchases for the month regardless of whether the inventory has been sold.

Even though the tax is paid on goods or services acquired in the course of a business activity, it is fully recoverable as an input tax credit where the goods or services being offered by the registrant organization are themselves applicable to the GST (i.e. providing a taxable supply). A commercial activity is generally defined as any business activity, other than a hobby or making supplies which are exempt from tax.

ZERO-RATED SUPPLIES

Zero-rated means the item is tax-free but included within the technical definition of taxable supply. No tax is payable but the registrant organization can claim input tax credits. The following items are considered to be zero-rated:

- prescription drugs;
- medical devices;
- basic groceries;
- agricultural and fish products;
- exports; and
- international transportation services.

TAX EXEMPT SUPPLIES

No GST is payable by the purchaser of tax-exempt supplies, as well no input tax credits may be claimed on business expenditures incurred in the course of making tax-exempt supplies. Supplies in this category include:

- long-term residential rent;
- sales of used housing;
- health-care services;
- most educational services;
- child and personal care services;
- legal aid services;
- most supplies by charities;
- domestic financial services;
- ferry, road and bridge tolls;
- certain supplies by non-profit organizations, governments and other selected public-sector organizations.

Organizations providing tax-exempt supplies will not be entitled to recover GST paid on expenses, and consequently their operating costs will be increased by the tax.

PUBLIC SECTOR ORGANIZATIONS

Most recreation organizations are considered to be one of the entities that fall under the definition of public sector bodies as defined in the proposed GST legislation. Within the definition of public sector bodies is a sub-group called *public service body*. Certain of the following public service bodies have been provided with a separate rebate factor which is meant to provide the respective organizations with a GST burden that is similar to the FST burden they now face. Therefore, an organization that is providing exempt supplies would not charge the GST as part of the charge for the program. As a result, the organization would not be entitled to claim an input tax credit on the GST related to the purchases for providing the particular supply. However, the organization would be entitled to claim a specified rebate of the GST that it pays on its purchases related to the specific program

based on the type of public service body that the recreation organization is considered to fall within. The selected public service bodies are as follows:

- *Municipality*, including a city, town, and other types of local government, as well as a prescribed local authority. These organizations have been provided with a GST rebate rate of 57.14%;

- *Universities/public colleges* that issue a recognized degree or those post-secondary colleges or technical institutes funded by government for a municipality with the primary purpose of providing instruction in vocational, technical or general education. The rebate rate for universities and colleges will be 67%;

- *School authority* that operates an elementary or secondary school providing instruction according to provincial education standards. The rebate rate for the schools will be 68%; and

- *Hospital authority* that operates a public hospital as certified as such by the Department of National Health and Welfare. The rebate rate for hospitals will be 83%.

Also included in the group of public service body organizations are a:

- *Charity* (defined to also include a registered amateur athletic association), registered as such under the Income Tax Act. A charity will be provided with a rebate of 50% GST paid on purchases related to the provision of exempt supplies; and

- *Non-profit organization* (other than an individual, estate, trust, or charity) established for a motive other than profit. Non-profit organizations which receive at least 40% of their overall operational funding from government will be entitled to a 50% rebate of GST paid in the provision of exempt supplies. This funding percentage cannot be broken down for each project carried out by the same non-

profit organization. All other non-profit organizations will not be provided with a GST rebate.

Some recreation organizations may qualify as more than one type of public service body. For example, a recreational facility that is operated by a municipality may also have been granted status as a registered charity. Where this is the case, the organization will be entitled to consider itself as either type of organization under the GST system for each transaction that it completes. This may be beneficial in a situation where the registered charity has much more latitude in determining whether a particular supply that it provides is exempt, whereas the rebate rate for municipalities in relation to GST paid on purchases that pertain to exempt supplies is higher for a municipality than it would be for a registered charity. Thus, the recreation organization would be prudent to determine the optimum GST status for each of its transactions.

4 - REGISTRATION ISSUES

The proposed GST legislation provides that every person engaged in a commercial activity is required to register and collect and remit tax on taxable supplies.

Small suppliers, including non-profit organizations, whose annual taxable or zero-rated sales do not exceed $30,000 are not required to register. Their sales are not subject to GST and they do not recover GST paid on purchases. However, a recreation organization that is considered to be a public service body that is afforded a special GST rebate would still be entitled to the specified rebate of GST paid on purchases if they chose not to register under the system as a small supplier.

In the case of public service bodies, often there exists one main entity with numerous divisions or boards that function separately, that are not set up as separate legal entities. This may be the case with a recreational facility operated by a municipality or with a recreation organization with several branches or divisions.

Depending on the circumstances, the organization may or may not benefit by having a division or board separately register under the GST. For example, in the case where each separate board had an annual level of GST taxable sales that were less than $30,000 individually, but collectively were in excess of this amount, the organization may benefit by electing to treat each division as a separate person. As a result, the separate divisions could each have $30,000 in taxable supplies without the parent organization being required to collect GST. In order to qualify for the election, the division or board must be separately identifiable by reference to its location or nature of its activities and it must support separate records in the books of account in respect of the division.

In addition to being treated as a separate division for purposes of the small supplier threshold, the parent may wish to have the division file a separate GST return for its activities. For example, this may be beneficial in the case where a division of a public service body is engaged substantially in taxable activities. Since a separate division may otherwise be entitled to claim full input tax credits on its expenditures related to the provision of taxable supplies, it may be less complex to file a separate return for this division. Without making such an election, the parent may provide a combination of

exempt and taxable supplies and, thus, would be required to allocate GST paid on purchases for purposes of claiming input tax credits.

Each recreation organization should review its activities and its organization structure prior to registering them for the GST. If the registration has been completed and other options may exist in terms of registering, the original registration may be revoked and a new registration form may be filed with Revenue Canada Excise.

A copy of the registration form has been included in Appendix C to the GST Manual for reference. Even those organizations that may not be required to register due to the small supplier threshold should complete the registration form indicating that this is the case and forward it to Revenue Canada Excise so that they are aware of your organization's status under the GST system.

5 - DEFINING TAX STATUS OF REVENUES

The proposed GST legislation outlines those goods and services which are considered to be either zero-rated or exempt. The proposed legislation does not specifically provide those goods and services that are taxable when provided by organizations. Therefore, it is appropriate to review in detail the specific provisions that may cause the supply of a certain good or service to be either zero-rated or exempt.

The majority of goods and services provided by most recreation organizations will either be taxable or exempt under the GST. Therefore, it is prudent for a recreation organization to review the specific provisions that cause certain supplies to be exempt from the GST. The majority of goods and services that will be afforded exempt status under the GST are outlined in Part VI of Schedule V of the proposed GST legislation. A copy of this Schedule of the actual proposed legislation is provided in Appendix B to the GST Manual.

The tax status of revenues for public sector bodies can basically be broken down into two sub-groups. The first sub-group are those goods and services offered by a registered charity. The second sub-group are those goods and services offered by all public service bodies, including registered charities, non-profit organizations and municipalities.

ALL PUBLIC SECTOR BODIES

The proposed GST legislation specifically lists activities and supplies of public sector bodies which will be exempt. The following excerpts are those that will relate to certain operations of many recreation organizations:

- a supply of property made by way of sale where:
  - i) the organization does not carry on the business of selling such property;
  - ii) all the sales persons are volunteers;
  - iii) the consideration (i.e. selling price) for each item sold does not exceed $5; and

iv) the property is not sold at an event where other such products are being sold by persons who carry on the business of selling such property;

- a supply where the proceeds received could not reasonably be expected to exceed the direct cost of providing the supply. For example, where the total proceeds received from holding a particular event does not exceed the aggregate of direct costs of the event;

- a supply where all or substantially all of the supplies of the property or services are made for no consideration;

- a supply of a membership in, or services supplied as part of, a program that consists of a series of supervised instructional classes or activities involving athletics, outdoor recreation, music, dance, arts, crafts or other hobbies or recreational pursuits where:

  i) it may reasonably be expected, given the nature of the classes or activities or the degree of relevant skill or ability required for participation in them, that the program will be provided primarily to children 14 years of age or under, **except** where the program involves overnight supervision throughout a substantial portion of the program; or

  ii) the program is provided primarily for underprivileged or mentally or physically disabled individuals;

- a supply of board and lodging or recreational services at a recreational camp or similar place under a program or arrangement for **providing** the board or lodging or services primarily to underprivileged or mentally disabled individuals;

- a supply of food, beverages or short-term accommodation where the supply is made in the course of an activity, the purpose of which is to relieve poverty, suffering or distress of individuals and is not fund-raising.

REGISTERED CHARITIES

The general rule is that supplies made by a registered charity will not be taxable unless they are of a specific nature as defined in the proposed GST legislation. In addition to those goods and services listed above, goods and services offered by recreation organizations that are registered charities will be exempt when they can meet the following criteria:

- the supply is made in the course of a business of making supplies of such property or such a service carried on by the charity, and the day-to-day administrative function and other functions performed in carrying on the business are performed **exclusively** by volunteers;

- the supply is made in the course of an activity engaged in by the charity otherwise than in the course of a business referred to above and the day-to-day administrative functions and other functions performed in carrying on the activity are performed **exclusively** by volunteers;

- the property or service is supplied as part of a program established by the charity that consists of a **series** of classes or other activities and the **non-administrative** functions performed in providing the activities are performed **exclusively** by volunteers (with certain exceptions).

TAXABLE SUPPLIES

Goods and services offered by recreation organizations that do not fall within the criteria outlined above will generally be taxable under the GST. The transactions that most recreation organizations would be involved with that would be taxable in nature may be summarized as follows:

- supply of a membership where the membership includes a right to participate in a recreational or athletic activity, or use facilities, at a place of amusement;

- service involving, or a membership, or a right entitling a person to, supervision or instruction in any recreational or athletic activity, except those programs provided primarily to children 14 years of age or under;

- the sale of property that was used in commercial activities of the organization that may lead prior to the time of the sale;

- the sale of property acquired by the organization for the purpose of making a supply.

RECREATIONAL SERVICES

The proposed legislation outlines the rules in connection with the exempt status of the supply of certain recreational services made by a public sector body. In summary, a program established that consists of a series of supervised instructional classes or involving athletics, outdoor recreation, the arts or other hobbies where it may reasonably be expected that the program will be provided primarily to children 14 years of age or under or disabled or underprivileged individuals, the supply will be considered exempt.

Most public service bodies that provide recreational programs are now attempting to determine which participants of the various programs must be assessed with the GST and which ones will not. To this point, there have been many different interpretations in this area due to the criteria described in the proposed legislation.

In order for a recreational service to qualify as an exempt supply under this section, it must first be considered as a **program** of supervised classes or athletic activities. In other words, it would not be appropriate for open public use of a facility with no structural program to qualify under this provision.

The program may be offered at almost any location including ice rinks, pools, golf courses or gymnasiums, among other places to qualify for the exempt status.

The program must be reviewed to determine if "it may reasonably be expected, given the nature of the classes or activities or the degree of relevant skill or ability required for participation" that the program will be provided primarily tc children aged 14 and under. Therefore, it does not appear to be necessary that all other participants in the program are under age 15. As long as more than 50% of the participants can be expected to be aimed to children aged 14 and under, the program may qualify under the provision. It appears those individuals entered in the program that are over the age of 14 will be considered to be receiving an exempt supply and thus will not pay GST to the extent that the program still qualifies as being primarily aimed to children under the age of 15.

It must be **reasonably expected** that the program will be provided to children aged 14 and under. Consequently, it is the expected, not the actual participation in the program, that determines the nature. Public sector bodies should review and document their goals and objectives for each recreational program in advance to determine its status under the GST.

Recreational programs that have been established primarily for individuals aged 15 and over will be taxable under the GST. All public programs, including equipment rentals, where it is impossible to define in advance the age bracket that will utilize the program, such as open public swimming at a public pool, will be taxable under the GST to all participants.

Even where it is reasonably expected that an open public swim will attract a certain age bracket, say under 15 year olds, this general use of facilities would likely be taxable as it could not be considered a "program" that categorizes a certain skill level from the participants. In other words, no set skill level can be measured if there is no competition or instruction; therefore, admission for general use of facilities will likely be taxable to all age groups.

6 - PURCHASES ON WHICH GST MAY BE RECOVERED

The majority of purchases made by recreation organizations will be subject to GST. As indicated previously, the organization may be entitled to recover all of the GST paid on purchases to the extent they relate to the provision of taxable services or a portion of the GST paid via the specified GST rebate for certain public sector bodies where the purchase relates to the provision of exempt supplies. The most common expenses that will include GST for recreation organizations will include items such as heat, lights, rent, telephone, and travel costs.

GST will not apply to certain expenditures made by recreation organizations and, thus, no recovery of GST will have to be considered on the following types of expenditures:

- wages or other remuneration to employees;
- interest expense and most bank charges;
- tax exempt and zero-rated goods and services;
- payments of property taxes and most other license fees, fines and penalties.

GST may not be recovered either through an input tax credit or a specified rebate where the item is not considered deductible for income tax purposes. These restrictions are as follows:

- 20% of meals and entertainment;
- club memberships;
- personal living expenses.

An organization will be entitled to claim, to the extent allowable, full recovery of GST on meals and entertainment throughout the year. However, at the end of the organization's fiscal period, 20% of the GST paid on meals and entertainment incurred throughout the year must be repaid on the organization's next GST return. This system is allowed to ease the administrative burden of this restrictive provision.

An organization will be required to isolate the GST component of travel reimbursements that are provided to employees and members of the organization. Where the organization is

reimbursing a specific expenditure, the employee or member would be required to provide an invoice that would isolate the amount of GST so that the organization could properly recover this amount in its GST return. In the case of mileage reimbursement or a set per diem allowance for meals, the organization would apply a factor of 7/107ths to the amount of the reimbursement to identify the GST component of the reimbursement. The organization would then be entitled to claim this amount as either an input tax credit or apply the specified rebate to this amount for recovery of GST.

Certain employee benefits will also be subject to the application of GST. However, most recreation organizations may not provide the type of employee benefits which would attract the GST. These may include the provision of an automobile that is either owned or leased by the organization and made available to an employee or member. In this case, the GST component must be assessed on the stand-by charge assessed to the employee or member before the application of Provincial Sales Tax. This amount would be included on the employee's or member's T4 for the year involved. Most other types of employee benefits, including group life insurance and health care coverage, would be exempt from GST and, thus, no GST benefit must be considered.

7 - APPORTIONMENT OF INPUT TAX CREDITS

Perhaps the most complex situation facing public service bodies is the requirement to apportion GST paid on purchases in the claim of input tax credits. Public service bodies that provide a combination of exempt and taxable supplies will be required to identify the GST paid on purchases relating to the provision of taxable supplies for purposes of claiming input tax credits. Certain expenditures of public service bodies will relate to a combination of providing both exempt and taxable supplies. Further, those public service bodies that will be entitled to claim a specified rebate of GST paid in the provisions of exempt supplies must allocate the portion of GST paid on purchases that are not entitled to a claim of input tax credits.

A public service body may claim a full input tax credit to the extent the current operating expenditure relates 90% or more to the provision of taxable supplies. It may claim no input tax credit to the extent that the current operating expenditure relates 90% or more to exempt supplies. The public service body must apportion the GST paid of an operating expenditure that relates to both taxable and exempt supplies, but not more than 90% to either.

For example, where 70% of the expenditures made by an organization relate to staging GST exempt activities and 30% of the expenditures made relate to staging GST taxable activities the GST paid on these expenditures must be apportioned for claiming input tax credits and GST rebates (if available). In this straight-forward example, 30% of the GST paid on expenditures relating to taxable activities would be available for claiming as input tax credits.

The balance of GST paid on expenditures relating to exempt activities would not be available for input tax credits but may be available for a GST rebate to a qualifying organization.

Revenue Canada has indicated that they do not intend to provide guidelines at this time as to what will be a "reasonable allocation".

The proposed legislation essentially provides that the method to be used "shall be fair and reasonable in the circumstances and shall be used consistently throughout the year". The taxpayer is thus left to choose a reasonable basis for allocation of expenditures to taxable activities.

When determining allocation methodology, it is important to strike a balance between simplicity which will require relatively little time both initially and in application, and a sophisticated allocation methodology which could require more time and effort. The larger the expenditures to be allocated, the more appropriate it will be to expend a greater effort to determine a reasonable and advantageous allocation base.

Revenue Canada has indicated that generally it will not view a revenue-based allocation favorably. Therefore, it would seem that a reasonable method would be one that attempts to match the effort expended towards a particular revenue-generating activity.

A public service body should first identify those expenditures that can be directly related to either a substantially taxable or exempt activity. The organization would then apply an apportionment percentage to current operating expenditures that relate to a combination of both taxable and exempt activities. This apportionment percentage could be developed by analyzing, among other things, the following factors:

- an estimate of hours of employees' time spent towards various activities;
- the number of transactions in a year to generate various revenue categories; or
- the square footage of space of premises related to various revenue activities.

An expenditure account that relates to both taxable and tax exempt supplies might have a single allocation basis for all expenditures in the account or a different allocation basis for different types or categories of expenditures in the account.

If there are to be different allocations for different types of expenditures, the organization might consider splitting the account into two or more accounts. Alternatively, the organization could determine a single allocation percentage based on prior years' experience and use that for all costs during the current year and then adjust it at year end. Allocation problems such as this will arise most typically where costs are not transferred to departments or activities by the accounting system.

8 - ACCOUNTING AND BUDGETING PROCEDURES

The GST will dramatically affect an organization's accounting and budgeting process. The budget process for all recreation organizations will be somewhat similar in terms of identifying GST issues. The changes required to an accounting system will vary based on the size and structure of each particular recreation organization. However, the basic accounting concepts utilized to deal with the GST can be analyzed between two types of organizations; firstly, municipal recreation boards and, secondly, other public sector body organizations.

BUDGETING PROCEDURES

The first step a recreation organization must take in its budgeting process is to identify those revenues that will be taxable and those which will be exempt under the GST. The actual amount of GST collected on those programs that are taxable does not represent "revenue" to the organization as this is merely the collection of tax that will be remitted to the government.

However, in determining those programs that are taxable, an organization will be in a position to determine the portion of GST paid in relation to providing these taxable services that may be fully recovered as an input tax credit, as explained in the previous section on apportionment of input tax credits.

The next step an organization would take is to estimate the amount of GST that will be paid on budgeted expenditures considering only those expenditures that will attract GST. From a budgeting point of view, the estimated amount of GST to be paid on purchases will only be incorporated into the budget where this GST cannot be recovered. This would be in the case where a particular expenditure related to a particular program offered by the organization that was considered exempt from the GST. In this case, the organization would only be entitled to claim the specified rebate of the GST paid on these particular purchases, depending on the status of the public sector body.

For budgeting purposes, the organization should estimate the non-rebatable portion of GST paid on purchases that relate to exempt supplies or that amount of GST that is specifically

not available for input tax credit or a specified rebate (i.e., 20% of meals and entertainment). This estimate of non-recoverable GST should be indicated in the budget as a single line item as a GST expense. This method will allow the actual expense categories to be comparable against actual expenditures, as well as with the previous year's budget and actual expenditures for the individual categories.

The organization should also consider as part of its budget process other items that may indirectly be affected by GST. For example, all insurance premiums will be considered exempt under the GST. Therefore, it would appear most insurance companies would not be entitled to claim a recovery of GST that they pay on their purchases. As a result, insurance premiums may increase in 1991 to allow these companies to recover their increased costs due to GST. This would also be the case with residential rents, daycare services, and most bank charges.

ACCOUNTING PROCEDURES

Municipal Recreation Committees and Commissions

The accounting system revisions that will take place in each municipality will vary depending on the decisions made by each individual municipality. However, the Department of Municipal Affairs has issued accounting practice guidelines that will most likely be utilized by the majority of municipalities in the Province of Nova Scotia.

From a municipal recreation board's point of view, the accounting procedures would likely continue to follow the concepts outlined for their budgeting process. All GST collected on revenues from taxable programs will not represent "revenue" to the recreation board, but instead would be entered into a GST liability account that would be established in the municipality's operating fund balance sheet.

All GST paid on purchases would not be entered into the actual expense account to which it relates, but instead would be entered into a GST receivable account at the time of purchase. Therefore, the recreation departments' GST collected and GST paid would not be reflected initially in their departmental financial statement.

The recreation department would be responsible for indicating to the Director of Finance for the municipality the apportionment percentage of GST paid on purchases that would be available for full input tax credits. As explained previously, this could be done for the recreation department's expenditures as a whole or further between individual programs.

The Municipal Finance Department would then be responsible for allocating the portion of GST paid by the recreation department that relates to exempt supplies and allocate this amount from the GST receivable account to a GST rebate account. Once this is done, the Municipal Finance Department would apply for the full input tax credit on GST that remains in the GST receivable account and apply the specified rebate percentage of 57.14% to the GST that had been allocated to the GST rebate receivable account.

The balance of non-rebatable GST in the GST rebate account of 42.86% of the GST related to exempt supplies, would be reallocated to the recreation department accounts as a single line item GST expense.

Other Public Sector Body Organizations

All other public sector body organizations would account for GST in a similar manner to that of municipal recreation boards with the key exception that these organizations would be required to deal with the GST receivable and liability accounts.

These public sector bodies should establish a GST liability account which they would record all of the GST on their revenues as collected. They would also establish a GST receivable account which would be used to record all GST paid on purchases. The public sector body organizations would utilize a GST rebate account to transfer the GST on those expenditures that relate to the provision of exempt supplies, similar to that of municipal recreation boards.

At the end of a particular reporting period, the public sector body would clear the GST receivable account, the GST liability account and the GST rebate account when they prepare their GST return and either remit the net balance owing or receive the net recovery forthcoming from Revenue Canada as is the case with municipal recreation boards.

All other public sector bodies should consider transferring the non-rebatable portion or non-recoverable portion of GST paid on purchases to a single line item GST expense account under the income statement. As mentioned previously, this continues to allow comparability of the individual expense accounts with amount budgeted or with actual amounts incurred in the previous year.

9 - REPORTING REQUIREMENTS

Registrants under the GST system are required to calculate their net GST remittance or refund for each reporting period. Revenue Canada has already designed and released draft GST tax returns. A copy of this draft return is included in Appendix C of the manual.

Essentially, the information required summarizes the amount of tax collected by an organization, the amount of tax paid on purchases where an input tax credit may be claimed and the difference between the two. Where more tax has been collected on sales than has been paid on purchases that are available for an input tax credit, an amount will be owing to the government. In the opposite case, a refund will be due to the organization.

Essentially, GST returns will be prepared on an honor basis, subject to Revenue Canada audit. The registrant organization need not submit supporting documents with their return. However, these documents should be retained should Revenue Canada ever ask for them.

There is some flexibility in the GST filing requirements. Larger organizations - those grossing more than $6 million a year - will have to file their tax returns on a monthly basis. Those organizations grossing under $6 million, but over $500,000, will be required to file their returns quarterly. Those organizations with annual sales of $500,000 or less have the option to file their GST on an annual basis with quarterly instalments.

An organization that is only required to file on an annual basis may opt to file on a quarterly or monthly basis. This option would be selected where it is anticipated that the refund of GST paid on purchases would be in excess of the GST collected on revenues.

Whether an organization files monthly or quarterly, it has until the end of the month following the reporting period to file a tax return. This means, for example, that if an organization uses the first three months of the year as its filing period, its tax return will be due one month after March 31, that is, April 30. Its next tax return for the period April 1 to June 30 would be due on July 31.

The required reporting period for an organization will be determined including the taxable sales of organizations that are associated with the particular organization. Therefore,

depending on the registration status of a particular municipality, the activity for the recreation board may likely be included in the GST filing made for the municipality as a whole. In this instance, the municipality would have to consider all of its taxable sales, including the recreation board, to determine its required reporting period under the GST system.

GST Rebate

The specified GST rebate that is available to selected public sector body organizations for GST paid that relates to the provision of exempt revenues will be calculated on a form that is separate from the actual GST return.

Public service bodies must follow special procedures to file an application for the rebate. Rebates are paid in respect of tax payable by the person in a claim period in a fiscal year of the person. Only one application for rebate may be made per claim period. Therefore, even during claim periods where numerous or costly purchases are made, the claimant is entitled to only one rebate.

For registrants under the GST system, a claim period is the same as the reporting period. The reporting period is based on the taxable sales made by the registrant as explained previously, and may be monthly, quarterly or annually. Recreation organizations that are registrants may wish to elect to have a monthly reporting period so as to allow them to file rebate claims more frequently.

For non-registrants, the claim period is the fiscal quarter includes the date on which the taxable supply was received. The application must be filed both:

- after the first day in the year that the person is a selected public service body, charity or qualifying non-profit organization; and

- within four years after the day on or before which the registrant is required to file its return claim period.

If the application is filed by a non-registrant, it must meet the first requirement and it must be filed within four years after the last day of the period. Because the claim period of a non-registrant is its fiscal quarter, it must file for the rebate on the last day of the fiscal quarter.

For example, a qualifying recreation organization making only exempt supplies is not required to register. In order to obtain its rebate, it would be required to file an application within four years of the last day of the fiscal quarter that includes the date on which it received the taxable supply. If the fiscal year begins on April 1, 1991, the application for the rebate in respect of a purchase made on April 5, 1991, should be filed at the end of the quarter including that time on July 1, 1991 and must be filed no later than July 1, 1995. This differs from the reporting period of a non-registrant who makes a taxable sale, such as the sale of a piece of land. In that case, the non-registrant is required to report the sale in the calendar month of the sale and remit GST in the following month.

10 - TRANSITIONAL ISSUES

The GST will come into effect on January 1, 1991 and generally will apply to all consideration for supplies that becomes payable after 1990, unless consideration is paid before that time. However, the legislation contains a number of transition rules intended to limit avoidance, relieve double taxation, and ensure an orderly transition from the old system of taxation to the new.

ADMISSIONS AND MEMBERSHIP

- Consideration that is paid or falls due before September 1989 is not subject to GST, even where the services are to be performed after 1990.

- Consideration that is paid or falls due after August 1989 and before September 1990 attracts GST on the portion of the consideration that is attributable to services performed after 1990 where the person acquiring the services is not a consumer.

- Consideration that is paid or falls due after August 1990 and before May 1991 attracts GST on the portion of the consideration that is attributable to services performed after 1990.

- GST is payable on all consideration that becomes due after April 1991, regardless of when the services were performed.

FST INVENTORY REBATE

A recreation organization will be able to claim a rebate of the FST that is included in any inventories held for resale by the organization at January 1, 1991. The government has announced that the FST rebate will be calculated based on a proposed rebate factor of 8.1% of the cost amount of inventories held that include the FST of 13.5%. Most recreation organizations would only hold a minimal amount, if any, of inventories held for resale that would be available for the rebate.

LEASES

For leases on capital equipment that had been entered into prior to August 8, 1989, GST will not become applicable as long as these leases continue in their same form without alterations or variations. Equipment leases entered into after August 7, 1989 will be applicable to the GST. Therefore, it may be beneficial for any equipment leases entered into prior to August 8, 1989 not be amended or altered to maintain their status under the GST system.

VEHICLE LEASES

The GST will not apply to lease payments for an automobile made before 1994 under an agreement in writing entered into before 1991, provided the lessee had possession of the vehicle before 1991.

SUBSCRIPTIONS

Any consideration paid before 1991 for a subscription to a magazine, newspaper, or other periodical will not attract GST, regardless of when the publications are delivered to the subscriber. However, GST will apply to all amounts paid after 1990. Thus, GST on periodical subscriptions can be avoided if the supplier invoices the purchaser in 1990 or if the purchaser pays the consideration in 1990. These rules do not apply to subscriptions to a series of performances, such as a subscription to the Symphony; rather, the general rules for services applied to those types of subscriptions.

COMMERCIAL PREMISE LEASES

All leases of commercial premises will be subject to the GST commencing in 1991, regardless of when the commercial lease had been entered into. There is no requirement for the lease to be amended or altered to reflect the fact that the lessee is obligated to pay the GST in 1991 and beyond.

TRANSITIONAL CREDIT FOR SMALL BUSINESS

GST registrants, whose taxable and zero-rated supplies in any three-month period beginning in 1990 or in the first full fiscal quarter of 1991, do not exceed $500,000 will be entitled to claim a one-time credit of up to $1,000 to help defray start-up costs associated with the implementation of GST. The credit will equal 2% of sales in any fiscal quarter beginning after 1989 and before April 1991, to a maximum of $1,000. Where sales in the quarter do not exceed $15,000, the credit will equal $300. The maximum credit will be paid to registrants with supplies of at least $50,000 in the quarter. An associated group of persons is treated as a single entity for purposes of the credit. Thus, the maximum credit that may be paid to the group as a whole is $1,000.

The credit may only be claimed and the return filed for the first full fiscal quarter of 1991 or, where the registrant is a monthly filer, in the return filed for the last fiscal month of the quarter. Annual filers must file a rebate claim for the credit within three months after the end of their reporting period.

APPENDIX A - GST CHECKLISTS

The following GST checklists as prepared for recreation organizations were designed to provide the organizations with a means to determine whether the key matters as they pertain to the GST have been considered in preparing their organization for the system.

Three separate checklists prepared are as follows:

I - GST Overview
II - Registered Charities
III - Other Public Sector Body Organizations

It is intended that all recreation organizations may utilize the Overview checklist to determine general aspects of the GST that will affect their operations. Those recreation organizations that are registered charities would also utilize the second checklist outlining key GST issues as they pertain to a Registered Charity. All other recreation organizations would complete the third checklist dealing with GST issues that relate to these types of bodies in conjunction with the Overview checklist.

The issues surrounding most of the questions raised in the checklists are contained in this manual. Other issues are not specifically addressed in this manual but will be reviewed in the GST workshops which will be conducted for member organizations in the first part of 1991. If you are unsure of any particular issue raised in the checklists, contact one of the Peat Marwick Thorne representatives listed on the last page of the manual.

RECREATION GST REVIEW

OVERVIEW CHECKLIST

REVENUE ANALYSIS

	Yes	No	N/A
A. General			
1. Have all sources of gross revenue been reviewed and their status determined for GST purposes? See supplementary questionnaires.	___	___	___
2. Are any of the revenues due to mixed supplies made for a single all-inclusive price?	___	___	___
3. Does the organization use any of the following as supporting documents to record revenue:			
a) cash register tapes, credit card slips or manual or computer issued invoices?	___	___	___
b) leases or any other form of agreement in writing?	___	___	___
c) deposits?	___	___	___
d) coin-operated machines?	___	___	___
4. Do instances arise such that the practice of the organization is to not issue an invoice or to delay issuing an invoice more than one month after the month in which a sale is made?	___	___	___
5. Are the terms of payment made available to the organization's customers such that the organization must finance the periodic payment of GST because it has not been collected in time?	___	___	___
6. Is the organization involved in barter transactions (where products or services are traded as consideration for payment)?	___	___	___

EXPENDITURES

	Yes	No	N/A
A General			
1. Have the organization's expenditures from its most recent financial statements been reviewed to determine the GST status of the major expenditure categories?	___	___	___
B Restricted Expenditures			
1. Does the organization have any of the following expenditures:			
i) club membership fees or dues?	___	___	___
ii) personal or living expenses exclusively for an employee?	___	___	___
iii) a lease or similar arrangement primarily for the personal use of a proprietor, partner, shareholder or beneficiary as the case may be?	___	___	___
2. If yes, does the individual, in respect of whom the expenditure has been made, pay fair market value for it?	___	___	___
3. Is the expenditure a benefit under section 6 of the Income Tax Act?	___	___	___
4. Does the organization incur expenditures which are meals and entertainment expenses?	___	___	___
C. Employee Benefits			
1. Does the organization offer employee/shareholder benefits which are taxable benefits to employees/shareholders?	___	___	___
D. Capital Goods (Other than Real Property or Passenger Vehicles)			
1. Does the organization acquire capital goods which are primarily for use in a taxable or zero-rated activity?	___	___	___

	Yes	No	N/A
2. Does the organization acquire capital goods which are not primarily for use in a tax-exempt activity or for personal use?	___	___	___
3. Is it likely that the organization would change the use of a capital good from primarily commercial to primarily non-commercial?	___	___	___

E. Used Goods

1. Does the organization purchase used goods in the course of a commercial activity:			
i) from registrants?	___	___	___
ii) from non-registrants?	___	___	___

F. Cost Analysis

1. Has the organization considered the impact of the GST on its costs?	___	___	___
2. Is it anticipated that the removal of the current federal sales tax will reduce the cost of some or all of the organization's purchase?	___	___	___
3. Is the organization a supplier licensed under the current federal sales tax to currently purchase goods FST exempt?	___	___	___
4. Has the organization considered approaching suppliers, especially licensed suppliers, to negotiate a price reduction on 1991 prices?	___	___	___
5. Has the organization considered the impact of any incremental inflation caused by GST on its costs?	___	___	___

PRICING

	Yes	No	N/A
A. General			
1. Has consideration been given to the effect of a price change due to the GST on the demand for the product?	___	___	___
2. Will the GST affect the competitive position of any services or products?	___	___	___
3. Has the organization considered whether prices will be GST extra or GST included?	___	___	___
4. Has the effect of the removal of FST and its effect on various costs been considered in any pricing strategy?	___	___	___
5. Has the effect of other changes in costs that GST may cause been considered in pricing for 1991 and thereafter?	___	___	___
6. Has the impact of different sensitivities to price changes of various products and services been considered for pricing for 1991 and after?	___	___	___

COMPLIANCE

	Yes	No	N/A
A. General			
1. Are the annual revenues from taxable and zero-rated goods and services (including associated persons) expected to be:			
a) less than $500,000?	___	___	___
b) greater than $500,000 and less than or equal to $6,000,000?	___	___	___
c) greater than $6,000,000?	___	___	___
2. Is it expected that the organization will be in a refund situation?	___	___	___
3. Is there staff with experience in filing FST forms or provincial sales tax forms?	___	___	___
4. Has the organization registered or is the organization aware of the registration procedures where required?	___	___	___
5. Will someone be responsible for preparing GST returns?	___	___	___
6. If the returns are to be prepared internally, will there be adequate training of staff responsible?	___	___	___
7. Will there be a review process to ensure that returns are accurately prepared and filed on a timely basis?	___	___	___
8. If annual sales are expected to be $2 million or less, is the organization aware of the transitional credit?	___	___	___
B. Filing Options			
1. If expected annual revenues (including associated persons) are no more than $500,000, has appropriate consideration been given to annual filing with quarterly instalments?	___	___	___
2. If expected annual revenues (taxable and zero-rated) are $6,000,000 or less, has appropriate			

		Yes	No	N/A
	consideration been given to monthly filing instead of quarterly filing?	___	___	___
3.	If the organization is using a non-calendar year for GST purposes, has the determination of reporting periods been considered carefully?	___	___	___
4.	Are there divisions which have separate accounting systems and are identifiable by reference to location or activities?	___	___	___
5.	Will employees be alerted to the ability to claim GST rebates for certain expenses deductible for income tax purposes?	___	___	___

ACCOUNTING SYSTEMS

	Yes	No	N/A
A. General			
1. Will there be a sufficient trail of information (i.e. audit trail) to ensure input tax credit claims can be traced to supporting documentation?	___	___	___
2. Will there be sufficient audit trails to ensure specific sales invoices can be traced to gross GST payable?	___	___	___
3. Is the organization aware of the financial reporting issues in respect of GST?	___	___	___
4. Will there be appropriate training for accounting personnel to outline GST changes in accounting policies and procedures?	___	___	___
B. Billing			
1. Have necessary changes to invoices or other billing documents to conform with GST rules been considered?	___	___	___
2. Are taxable sales made for $150 or more?	___	___	___
Only less than $150?	___	___	___
Only less than $30?	___	___	___
3. Can the accounting system differentiate between taxable sales, zero-rated sales and tax-exempt sales?	___	___	___
4. Will the accounting system calculate tax properly on any products which have a mixture of taxable and tax-free elements or taxable and tax-exempt elements?	___	___	___
5. Will the billing practices calculate GST before any provincial sales tax and calculate provincial sales tax properly in respect of GST?	___	___	___
6. Will the accounting system properly reflect adjustments to GST collected for credit notes issued for price adjustments and returned goods?	___	___	___

	Yes	No	N/A
C. Expenditures, Input Tax Credits and Rebates			
1. Have the necessary changes to the accounting system been considered to capture information necessary to claim any input tax credits or rebates?	___	___	___
2. Have procedures been considered that will isolate the amount of GST on expenditures at the time the invoice is entered into the accounting system?	___	___	___
3. Will the accounting system isolate GST paid on capital expenditures as well as non-capital expenditures?	___	___	___
4. Will the accounting system changes identify expenditures which are subject to input tax credit restrictions, such as:			
a) club membership fees and dues?	___	___	___
b) non-deductible personal expenses?	___		___
c) passenger vehicle restrictions on purchase price or lease cost?	___	___	___
d) meals and entertainment expenses?	___	___	___
5. Will the accounting system identify employee benefits which are subject to GST, such as car benefits?	___	___	___
6. Will the accounting system record invoices and GST paid as soon as the invoices are received to ensure early recognition of input tax credits?	___	___	___
7. If there are tax-exempt supplies:			
a) Will a reasonable basis be developed to apportion GST paid on inputs related to tax-exempt supplies?	___	___	___

	Yes	No	N/A
b) Will the accounting system be able to track significant changes in use of real property and provide a history of GST paid on acquisition and improvements, and any refunds/payments on previous changes in use?	___	___	___
c) Will the accounting system identify imported services that require self-assessment of GST?	___	___	___
d) Will the accounting system be able to track changes in use of capital property from primarily one use to another and provide a history of GST paid on acquisition and any refunds/payments on previous changes in use?	___	___	___
8. Will there be a procedure to ensure that all invoices or supporting documents have the appropriate information to ensure that input tax credits may be claimed?	___	___	___
9. Will the accounting system properly capture input tax credits on arm's length bad debts?	___	___	___
10. Will the accounting system provide procedures to identify GST included in invoice prices especially with varying rates of provincial taxes?	___	___	___
11. Will the accounting system identify purchases of used goods from private individuals for a deemed input tax credit?	___	___	___
12. Will the accounting system properly reflect GST on any price adjustments or return of goods where a credit note is issued?	___	___	___

TRANSITION

	Yes	No	N/A
A. Inventory			
1. Will there be an inventory of new and unused goods for resale or lease on January 1, 1991?	___	___	___
2. Will there be an accurate determination of inventory at January 1, 1991?	___	___	___
3. Is there the ability to identify FST paid goods in inventory at January 1, 1991 and the different classes of goods if applicable for different prescribed percentages?	___	___	___
4. Will there be a mechanism to ensure that any goods returned for cash or credit are reflected in any FST rebate claim?	___	___	___
B. Contracts			
1. Are there any contracts that will apply to the sale of goods or services after 1990?	___	___	___
2. Are there any contracts that will apply to the purchase of goods or services after 1990?	___	___	___
3. Does the organization lease any equipment under an agreement in writing entered into before August 8, 1989 that will have lease payments continue into 1991?	___	___	___
4. If the organization cannot obtain full input credits, are there any leases for equipment that extend into 1991 that were entered into after August 7, 1989?	___	___	___
C. Transactions Straddling Start-Up Date			
1. a) Are there any prepayments made for goods or services to be delivered or performed after 1990?	___	___	___
b) Will such prepayments relate to the following periods:			
i) before September 1, 1989?	___	___	___

	Yes	No	N/A
ii) from September 1, 1989 to August 31, 1990?	___	___	___
iii) from September 1, 1990 to December 31, 1990?	___	___	___
2. Will the organization have adequate cut-off procedures to ensure GST is properly collected during the transitional period?	___	___	___
3. Will all invoices for pre-1991 goods and services be issued prior to May 1, 1991?	___	___	___
D. Other			
1. Has a task force or individual been assigned to co-ordinate and prepare for the transition to GST?	___	___	___
2. Has appropriate consideration been given to any impact of GST on revenues during the transitional period?	___	___	___
3. Are there plans to provide for adequate GST education and training for those that will have to deal with the impact of GST?	___	___	___
4. Are price lists published in advance?	___	___	___
5. Are any capital purchases or capital projects planned for 1990 or 1991?	___	___	___
6. Has there been a review of other purchases which may have lower prices in 1991 due to the removal of FST?	___	___	___

RECREATION GST REVIEW

REGISTERED CHARITY CHECKLIST

INTRODUCTION

		Yes	No	N/A
1.	Is the organization a registered charity for income tax purposes?	___	___	___
2.	Is the organization a registered Canadian amateur athletic association for income tax purposes?	___	___	___
3.	Is the organization a non-profit organization?	___	___	___
4.	Is the organization a non-profit nursing home?	___	___	___
5.	Does the organization, or any part thereof, qualify as a municipality (and designated bodies), a hospital authority, a school authority, a public college or a university?	___	___	___

REVENUE ANALYSIS - CHARITIES

		Yes	No	N/A
1.	Is the organization a charity for purposes of GST?	___	___	___
2.	a) Are there receipts of grants, subsidies, or donations?	___	___	___
	b) Does the charity sell mixed supplies which partially qualify for a donation receipt?	___	___	___
3.	Are there receipts of interest and dividends?	___	___	___

Taxable Activities

The following series of questions address the possible taxable sales of goods and/or services that a charity could make. Many of these taxable supplies are subject to overriding exemptions in specific circumstances. References should be made to Questions 16 to 29 to ensure that a particular taxable supply cannot be treated as an exempt supply.

4.	Does the charity sell zero-rated goods or services?	___	___	___
5.	Has the charity appropriated any non-capital property or any service for the personal use of a member?	___	___	___
6.	Has personal property or capital property (including real property) been sold?	___	___	___
7.	Are there sales of new goods and ancillary services?	___	___	___
8.	Have there been short-term rentals of personal property or real property?	___	___	___
9.	Does the charity provide services under contracts for catering?	___	___	___
10.	Does the charity sell admissions or memberships to a place of amusement?	___	___	___
11.	Has the charity supplied the services of a performing artist to a person selling taxable admissions?	___	___	___
12.	Does the charity charge for instruction or supervision in a recreational or athletic activity?	___	___	___

		Yes	No	N/A
13.	Does the charity sell lottery or raffle tickets or run commercial gambling activities?	___	___	___
14.	Does the charity charge for instructional services or for administering examinations in any course supplied by an educational institution?	___	___	___
15.	Does the charity charge for admission to a seminar or conference supplied by a university or public college?	___	___	___

Exempt Activities

The following series of questions address specific exempt supplies of charities. In most cases, the exemptions will override what would be an otherwise taxable supply of property or a service by a charity.

			Yes	No	N/A
16.	a)	Will there be no more than $30,000 of revenue from taxable sales in the calendar year?	___	___	___
	b)	Is the charity organized into separate branches or divisions?	___	___	___
17.	a)	Does the charity sell property or service in the course of a business or an activity carried on exclusively by volunteers?	___	___	___
	b)	Does the charity sell property or service as part of a program run exclusively by volunteers?	___	___	___
18.		Does the charity make a charge in the course of a business for an otherwise taxable service or for goods where the charge does not exceed the direct costs of the service or good?	___	___	___
19.		Does the charity make a charge for an otherwise taxable service in the course of a special event or activity where the charge does not exceed the direct costs of the service?	___	___	___
20.		Does the charity make a charge for an otherwise taxable admission to a film where the charge does not exceed the direct costs of the presentation?	___	___	___

		Yes	No	N/A
21.	Does the charity make a charge for an otherwise taxable admission to a place of amusement which does not exceed one dollar?	___	___	___
22.	Does the charity provide any otherwise taxable property or service free of charge?	___	___	___
23.	Does the charity charge admission to a place of amusement where the principal activity is gambling?	___	___	___
24.	Does the charity sell lottery or raffle tickets or any other similar rights to play in a game of chance?	___	___	___
25.	Does the charity run gambling activities?	___	___	___
26.	Does the charity sell admissions to amateur performances and events?	___	___	___
27.	Does the charity sell a membership to or charge for services for children's or disabled individuals' recreational programs?	___	___	___
28.	Does the charity run a recreational camp for disabled individuals?	___	___	___
29.	Does the charity provide food, beverages or short-term accommodation to relieve poverty, suffering or distress of individuals?	___	___	___
30.	Does the charity sell services or use of copyrights to sponsors?	___	___	___

RECREATION GST REVIEW

OTHER PUBLIC SECTOR BODIES CHECKLIST

REVENUE ANALYSIS - NON-PROFIT ORGANIZATIONS

		Yes	No	N/A
1.	Is the entity a non-profit organization?	____	____	____
2.	Are there receipts of grants, subsidies or donations?	____	____	____
3.	Are there receipts of interest or dividends?	____	____	____
4.	a) Will there be no more than $30,000 of revenue from taxable sales in the calendar year?	____	____	____
	b) Is the non-profit organization organized into separate branches or divisions?	____	____	____
5.	Does the non-profit organization sell goods as part of fund-raising activities run by volunteers?	____	____	____
6.	Does the non-profit organization charge admission to a place of amusement where the principal activity is gambling?	____	____	____
7.	Does the non-profit organization sell lottery or raffle tickets or any other similar rights to play in a game of chance?	____	____	____
8.	Does the non-profit organization run gambling activities?	____	____	____
9.	Does the non-profit organization make a charge in the course of a business for an otherwise taxable service or for goods where the charge does not exceed the direct costs of the service or good?	____	____	____
10.	Does the non-profit organization make a charge for an otherwise taxable service in the course of a special event or activity where the charge does not exceed the direct costs of the service?	____	____	____

		Yes	No	N/A
11.	Does the non-profit organization make a charge for an otherwise taxable admission to a film where the charge does not exceed the direct costs of the presentation?	___	___	___
12.	Does the non-profit organization make a charge for an otherwise taxable admission to a place of amusement which does not exceed one dollar?	___	___	___
13.	Does the non-profit organization provide any otherwise taxable property or service free of charge?	___	___	___
14.	Does the non-profit organization sell admissions to amateur performances and events?	___	___	___
15.	Does the non-profit organization sell a membership to or charge for services for children's or disabled individuals' recreation programs?	___	___	___
16.	Does the non-profit organization run a recreational camp for disabled individuals?	___	___	___
17.	Does the non-profit organization provide food, beverages or short-term accommodation to relieve poverty, suffering or distress of individuals?	___	___	___
18.	Does the non-profit organization sell services or use of copyrights to sponsors?	___	___	___
19.	Does the non-profit organization provide meals as part of a program to assist needy individuals?	___	___	___
20.	Does the non-profit organization supply a homemaker service?	___	___	___
21.	a) Does the non-profit organization collect membership fees?	___	___	___
	b) Has the non-profit organization considered an election to treat otherwise exempt non-recreational membership fees as taxable? This would allow the organization to claim input tax credits on GST paid related to providing the non-recreational membership service.	___	___	___

REVENUE ANALYSIS - REAL PROPERTY

		Yes	No	N/A
1.	Has the charity or non-profit organization made a sale of a residential complex?	___	___	___
2.	Has there been a change in use of real property?	___	___	___
3.	Has there been a sale of vacant land to an individual?	___	___	___
4.	Has real property used for commercial activities been sold?	___	___	___
5.	Has the charity or non-profit organization provided short-term accommodation (less than one month)?	___	___	___
6.	Is real property leased on a short-term basis in the course of business?	___	___	___
7.	Has the charity or non-profit organization supplied parking spaces in the course of a business?	___	___	___
8.	Has the charity or non-profit organization made an otherwise exempt supply of real property for which an election to treat the supply as a taxable supply has been filed?	___	___	___

B - THE PROPOSED GST LEGISLATION BILL C-62

The following is a copy of Schedule V of Part VI of Bill C-62 which is the proposed GST legislation. This schedule deals with exempt supplies made by public sector bodies upon the introduction of the system on January 1, 1991.

PART VI

PUBLIC SECTOR BODIES

1. In this Part,

"direct cost" of a film, slide show or similar presentation or of a supply of tangible personal property or a service means the total of all amounts each of which is the value of consideration paid or payable by the supplier

(a) of admissions in respect of the presentation, or

(b) of the property or service,

for an article or material (other than capital property of the supplier) that was purchased by the supplier, to the extent that the article or material is to be incorporated into or is to form a constituent or component part of the property or is to be consumed or expended directly in staging the presentation, supplying the service or in the process of manufacturing, producing, processing or packaging the property, and includes

(c) in the case of a supply of property or a service that was previously purchased by the supplier, the value of consideration paid or payable by the supplier for the property or service, and

(d) in the case of a film, slide show or similar presentation, the total of all amounts each of which is the value of consideration paid or payable by the supplier of admissions in respect of the presentation for the rental of, or right to use, any film, slide or similar property or projector or similar equipment used for the presentation,

and, for the purposes of this definition, the consideration paid or payable by a supplier for property or a service shall be deemed to include the amount, if any, by which the tax payable by the supplier in respect of the property or service exceeds the total of all amounts each of which is an input tax credit of the supplier or a rebate under Part IX of the Act that the supplier has claimed or is entitled to claim in respect of the property or service;

"homemaker service" means a household or personal service, such as cleaning, laundering, meal preparation and child care, that is provided to an individual who, due to age, infirmity or disability, requires assistance;

"municipal transit service" means a public passenger transportation service (other than a charter service or a service that is part of a tour) that is supplied by a transit authority all or substantially all of whose

supplies are of public passenger transportation services provided within a particular municipality and its environs;

"transit authority" means

(a) a division, department or agency of a government, municipality or school authority, the primary purpose of which is to supply public passenger transportation services, or

(b) a non-profit organization that

(i) receives funding from a government, municipality or school authority to support the supply of public passenger transportation services, or

(ii) is established and operated for the purpose of providing public passenger transportation services to disabled individuals.

2. A supply made by a charity of any personal property or a service, but not including a supply of

(a) property or a service included in Schedule VI and not included in section 6 or 10;

(b) property or a service the supply of which is deemed under Part IX of the Act to have been made by the charity;

(c) property (other than capital property of the charity or property that was acquired, manufactured or produced by the charity for the purpose of making a supply of the property) where, immediately before the time tax would be payable in respect of the supply if it were a taxable supply, the property was used (otherwise than in making the supply) in commercial activities of the charity;

(d) capital property of the charity where, immediately before the time tax would be payable in respect of the supply if it were a taxable supply, the property was used (otherwise than in making the supply) primarily in commercial activities of the charity;

(e) tangible property that was acquired, manufactured or produced by the charity for the purpose of making a supply of the property and was neither donated to the charity nor used by another person before its acquisition by the charity, or any service supplied by the charity in respect of such property, other than such property or such a service supplied by the charity under a contract for catering;

(f) property made by way of lease, licence or similar arrangement in conjunction with a supply of real property included in paragraph 25(f);

(g) property or a service made by the charity under a contract for catering for an event or occasion sponsored or arranged by another person who contracts with the charity for catering;

(h) an admission in respect of a place of amusement or a membership where the membership

(i) entitles the member to supplies of admissions in respect of a place of amusement that would be taxable supplies if they were made separately from the supply of the membership, or to discounts on the value of consideration for such supplies, or

(ii) includes a right to participate in a recreational or athletic activity, or use facilities, at a place of amusement,

except where the value of the supplies, discounts or right described in subparagraph (i) or (ii) is insignificant in relation to the consideration for the membership;

(i) services of performing artists in a performance where the supply is made to a person who makes taxable supplies of admissions in respect of the performance;

(j) a service involving, or a membership or other right entitling a person to, supervision or instruction in any recreational or athletic activity;

(k) a right to play or participate in a game of chance;

(l) a service of instructing individuals in, or administering examinations in respect of, any course where the supply is made by a vocational school, as defined in section 1 of Part III, or a school authority, public college or university; or

(m) an admission in respect of a seminar, conference or similar event supplied by a university or public college.

3. A supply made by a charity of any property or service where

(a) the supply is made in the course of a business of making supplies of such property or such a service or of similar property or services carried on by the charity, and the day-to-day administrative functions and other functions performed in carrying on the business are performed exclusively by volunteers,

(b) the supply is made in the course of an activity engaged in by the charity otherwise than in the course of, or as part of, a business referred to in paragraph (a), and the day-to-day administrative functions and other functions performed in carrying on the activity, including the provision of any property or service in the course of the activity, are performed exclusively by volunteers, or

(c) the property or service is, and is represented to prospective recipients to be, supplied as part of a program established by the charity that consists of a series of classes or other activities and the non-administrative functions performed in providing the activities are performed exclusively by volunteers,

but not including a supply of

(d) property or a service included in paragraph 2(a), (b), (c), (d) or (k),

(e) an admission in respect of a place of amusement at which bets are placed or a game of chance is conducted, or

(f) real property made by way of sale.

4. A supply of tangible personal property (other than alcoholic beverages or tobacco products) made by way of sale by a public sector body where

(a) the body does not carry on the business of selling such property;

(b) all the salespersons are volunteers;

(c) the consideration for each item sold does not exceed $5; and

(d) the property is not sold at an event at which supplies of property of the kind or class supplied are made by persons who carry on the business of selling such property.

5. A supply made by a public sector body of an admission in respect of a place of amusement at which the principal activity is the placing of bets or the playing of games of chance, where

(a) the administrative functions and other functions performed in operating the game and taking the bets are performed exclusively by volunteers; and

(b) in the case of a bingo or casino, the game is not conducted in premises or at a place, including any temporary structure, that is used primarily for the purposes of conducting gambling activities.

5.1 A supply made by a charity or non-profit organization (other than a prescribed person) of a right to play or participate in a game of chance (other than a prescribed game of chance).

5.2 A supply of a service that is deemed under section 187 of the Act to have been supplied

(a) by a charity or non-profit organization (other than a prescribed person); or

(b) where the service is in respect of a bet made through the agency of a pari-mutuel system on a running, trotting or pacing horse-race.

6. A supply made by a public service body of

(a) a service, where the supply is made in the course of a business of making supplies of the service, or

(b) tangible personal property,

where the value of the consideration for the supply paid or payable by the recipient is equal to the usual charge by the body for such supplies to such recipients and does not, or could not reasonably be expected to, exceed the direct cost of the supply.

7. A supply of any service, other than a supply included in section 6, made by a public service body in the course of an event or activity, where the total of all amounts, each of which is the consideration for a supply of such a service made by the body in the course of that event or activity, could not reasonably be expected to exceed the aggregate of all amounts each of which is the direct cost of a supply of such a service made by the body in the course of that event or activity.

8. A supply made by a public sector body of an admission in respect of a film, slide show or similar presentation where the total of all amounts, each of which is the consideration for an admission in respect of the presentation, could not reasonably be expected to exceed the direct cost of the presentation.

9. A supply made at any time by a public sector body of an admission in respect of a place of amusement where the maximum consideration for a supply at that time by the body of an admission in respect of the place does not exceed one dollar.

10. A supply made by a public sector body of any property or service where all or substantially all of the supplies of the property or service by the body are made for no consideration.

11. A supply of a right to be a spectator at a performance, athletic event or competitive event,

where all or substantially all of the performers, athletes or competitors taking part in the performance or event do not receive, directly or indirectly, remuneration for doing so (other than a reasonable amount as prizes, gifts or compensation for travel or other expenses incidental to the performers', athletes' or competitors' participation in the performance or event, or grants paid by a government or a municipality to the performers, athletes or competitors), and no advertisement or representation in respect of the performance or event features participants who are so remunerated, but does not include a supply of a right to be a spectator at a competitive event in which cash prizes are awarded and in which any competitor is a professional participant in any competitive event.

12. A supply made by a public sector body of a membership in, or services supplied as part of, a program established and operated by the body that consists of a series of supervised instructional classes or activities involving athletics, outdoor recreation, music, dance, arts, crafts or other hobbies or recreational pursuits where

(a) it may reasonably be expected, given the nature of the classes or activities or the degree of relevant skill or ability required for participation in them, that the program will be provided primarily to children 14 years of age or under, except where the program involves overnight supervision throughout a substantial portion of the program; or

(b) the program is provided primarily for underprivileged or mentally or physically disabled individuals.

13. A supply made by a public sector body of board and lodging or recreational services at a recreational camp or similar place under a program or arrangement for providing the board and lodging or services primarily to underprivileged or mentally or physically disabled individuals.

14. A supply made by a public sector body of food, beverages or short-term accommodation where the supply is made in the course of an activity the purpose of which is to relieve poverty, suffering or distress of individuals and is not fund-raising.

15. A supply made by a public sector body of food or beverages to aged, infirm, disabled or underprivileged individuals under a program established and operated for the purpose of providing prepared food to those individuals in their places of residence and any supply of food or beverages made to the public sector body for the purpose of the program.

16. A supply of a homemaker service that is provided to an individual in the individual's place of residence, where the supply is made by

(a) a government or municipality; or

(b) a non-profit organization that receives an amount paid by a government or municipality in respect of the supply.

17. A supply of a membership in a public sector body (other than a membership in a club the main purpose of which is to provide dining, recreational or sporting facilities) where each member does not receive a benefit by reason of the membership, other than

(a) an indirect benefit that is intended to accrue to all members collectively,

(b) the right to receive services supplied by the body that are in the nature of investigating, conciliating or settling complaints or disputes involving members,

(c) the right to vote at or participate in meetings,

(d) the right to receive or acquire property or services supplied to the member for consideration that is not part of the consideration for the membership and that is equal to the fair market value of the property or services at the time the supply is made,

(e) the right to receive a discount on the value of the consideration for a supply to be made by the body where the total value of all such discounts to which a member is entitled by reason of the membership is insignificant in relation to the consideration for the membership, or

(f) the right to receive periodic newsletters, reports or publications

(i) the value of which is insignificant in relation to the consideration for the membership, or

(ii) that provide information on the activities of the body or its financial status, other than newsletters, reports or publications the value of which is significant in relation to the consideration for the membership and for which a fee is ordinarily charged by the body to non-members,

except where the body has filed with the Minister an election under this section in prescribed form containing prescribed information.

18. A supply of a membership made by an organization membership in which is required to maintain a professional status recognized by statute, except where the supplier has filed with the Minister an election under this section in prescribed form containing prescribed information.

19. A supply made by a public sector body of a right that confers borrowing privileges at a public lending library.

20. The following supplies made by a government or municipality or by a board, commission or other body established by a government or municipality:

(a) a supply of a service of registering any property or filing any document in a property registration system,

(b) a supply of a service of the filing or procuring of a document in a court,

(c) a supply of a licence, permit, quota or similar right (other than such a right supplied in respect of the importation of alcoholic beverages),

(d) a supply of a service of providing information in respect of, or of any certificate or other document evidencing, the vital statistics, residency, citizenship or right to vote of any person, the registration of any person for any service provided by the government or any other status of any person,

(e) a supply of

(i) a service of providing information in respect of, or

(ii) any certificate or other document evidencing,

the title to, any right or estate in, or any encumbrance in respect of, property,

(f) a supply of a service of providing information under the *Access to Information Act*,

(g) a supply of a law enforcement service or a fire protection service made to a government or a municipality or to a board, commission or other body established by a government or municipality,

(h) a supply of garbage collection services, but not including a supply of a service that is not part of the basic garbage collection service supplied by the government or municipality on a regularly scheduled basis, and

(i) a supply of a right to deposit refuse at a refuse disposal site,

but not including

(j) a supply to a consumer of a right to hunt or fish,

(k) a supply of a right to take or remove minerals, forestry products, water or fishery products, where the right is supplied to

(i) a consumer, or

(ii) a person who is not a registrant and who acquires the right in the course of a business of making supplies of the minerals, forestry products, water or fishery products to consumers, or

(l) a supply of a right to enter, to have access to or to use property of the government, municipality or other body.

21. A supply of a municipal service made by or on behalf of a government or municipality to owners or occupants of real property situated in a particular geographic area where the owners or occupants have no option but to receive the service, other than a supply of a service of testing or inspecting any property for the purpose of verifying or certifying that the property meets particular standards of quality or is suitable for consumption, use or supply in a particular manner.

22. A supply of a service made by or on behalf of a government or municipality, or by an organization designated by the Minister to be a municipality for the purposes of this section, of installing, repairing or maintaining a water distribution, sewerage or drainage system that is for the use of all occupants and owners of real property situated in a particular geographic area, but not including a supply of a service for which a separate charge is made to the recipient of repairing or maintaining any part of the system that is for the sole use of the occupants or owners of a particular parcel of real property.

23. A supply of unbottled water made by a government, municipality or designated organization referred to in section 22.

24. A supply of a municipal transit service or a public passenger transportation service designated by the Minister to be a municipal transit service.

25. A supply of real property made by a public service body (other than a financial institution or a government), but not including a supply of

(a) a residential complex or an interest therein made by way of sale;

(b) real property where the supply is deemed under Part IX of the Act to have been made;

(c) real property made by way of sale to an individual, other than a supply of real property on which is situated a structure that was used by the body

(i) as an office, or

(ii) in the course of commercial activities or of making exempt supplies;

(d) real property where, immediately before the time tax would be payable in respect of the supply if it were a taxable supply, the property was used (otherwise than in making the supply) primarily in commercial activities of the body;

(e) short-term accommodation made by a non-profit organization, municipality, university, public college or school authority;

(f) real property (other than short-term accommodation) made by way of lease, licence or similar arrangement for a period of less than one month, where the supply is made in the course of a business carried on by the body;

(g) real property in respect of which an election under section 211 of the Act is in effect at the time tax would become payable under Part IX of the Act in respect of the supply if it were a taxable supply; or

(h) a parking space made by way of lease, licence or similar arrangement in the course of a business carried on by the body.

26. A supply made by a particular non-profit organization established primarily for the benefit of organized labour where the supply is made to

(a) a trade union, association or body referred to in paragraphs 189(a) to (c) of the Act that is a member of or affiliated with the organization, or

(b) another non-profit organization established primarily for the benefit of organized labour,

or a supply made by a person referred to in paragraph (a) or (b) to any such organization.

C - REVENUE CANADA FORMS

The following Revenue Canada forms that pertain to recreation organizations have been included as follows:

- GST registration form
- Draft GST return

To this point, Revenue Canada have not released all GST forms that will be required by recreation organizations. A particular organization should contact Revenue Canada Customs and Excise to ensure that the appropriate forms are made available to the organization as required.

Revenue Canada Customs and Excise | Revenu Canada Douanes et Accise

57

WORKING COPY

GOODS AND SERVICES TAX REGISTRATION FORM

See instructions before completing.

WORKING COPY
(RETAIN FOR YOUR RECORDS)

If the information above is incomplete or incorrect, complete items 1 to 3.

1. Full Legal Business or Organization Name

2. Trading Name (if different from above)

3. Mailing Address

4. Name of Contact

Title

5. Telephone No. Area Code

6. **Language Preference** ☐ English ☐ French

7. Annual GST-Taxable Sales and Revenues
(See instruction 8(d) if you are a partnership or a branch)

$

- If $30 000 or less and you do not wish to be registered, go to item 8
- If $30 000 or less and you wish to be registered, go to item 9
- If greater than $30 000 go to item 9 (GST registration required)

GST REGISTRATION NOT REQUIRED (check appropriate box and complete Declaration below)

8. I have read the Registration booklet and understand that my business or organization is not required to be registered because (check only one)

a) ☐ GST taxable sales and revenues did not exceed $30 000 in the past twelve months

b) ☐ I do not conduct any commercial activity subject to the Goods and Services Tax

c) ☐ Operations ceased as of Year Month

d) ☐ I am a partner in a partnership or I operate a branch of a business or organization which is being registered separately for GST. Name of partnership, business or organization

e) ☐ Other (briefly specify the reason)

GST REGISTRATION REQUIRED

9. Year End
Month Day

10. If your business or organization has branches or divisions, would you like them to file separate returns?
If yes, further information will follow ☐ Yes ☐ No

11. Briefly describe your major business activity

12. Enter the numbers which apply to your operation

Taxation Corp. Acc. No. or Social Insurance No.

Payroll Deduction Account No. (only one)

Customs Importer No. (only one)

13. Do you have goods for resale?
If YES, enter the dollar value of your inventory from the last financial statement ☐ Yes ☐ No $

14. Do you sell groceries at the retail level? ☐ Yes ☐ No

15. Please check appropriate box

1 ☐ Government 2 ☐ Registered Charity 3 ☐ Non-profit Organization 4 ☐ Financial Institution 5 ☐ University, School, School Board, Hospital 6 ☐ Joint Venture 7 ☐ Not Applicable

DECLARATION

I, _____ (Print Name) declare that, to the best of my knowledge, all of the above information is true and complete.

_____ Signature of Proprietor, Partner, or in the case of an Organization or a Corporation, an Authorized Officer

_____ Title

_____ Date

Personal information provided on this form is protected under the provisions of the *Privacy Act* and is maintained in Personal Information Bank RCC/P-PU-065.

GOODS AND SERVICES TAX RETURN FOR REGISTRANTS

GST ACCOUNT NUMBER	PERIOD	DUE DATE
999999999	from to	

GST Contact Name: Telephone: (123) 456-7890

PROTECTED WHEN COMPLETED

Personal information provided on this form is protected under the provisions of the Privacy Act and is maintained in Personal Information Bank RCC/P-PU-??

DISPONIBLE EN FRANÇAIS

INSTRUCTIONS

1. Check the information above for completeness and accuracy. You may change your mailing address, and the name and telephone number of the Goods and Services Tax (GST) contact person in your organization using the change stub on the reply envelope. For other changes contact the number below.

2. Complete SECTION ONE - PERIOD SUMMARY. Refer to the guide to the Goods and Services Tax Return for Registrants. Remember to include taxable supplies at 7% and 0%. Exclude supplies by way of sale of real capital property and supplies of financial services.

3. Complete SECTION TWO - TAX CALCULATION. Refer to the Guide to the Goods and Services Tax Return for Registrants. A Tax Calculation checklist is provided for your use.

4. Copy the amounts from the shaded boxes in Sections One and Two to the corresponding boxes in the bottom portion. Ensure that your numbers are printed in the boxes as illustrated. Identify a negative number with a minus sign in the separate box.

e.g. − 1 2 3 4 5 6 7 8 9 0

5. KEEP THIS TOP PORTION. It and any other information used in preparing your return are subject to audit and must be retained for verification purposes.

6. IF YOU NEED ASSISTANCE CONTACT

1-800-999-9999.

SECTION ONE - PERIOD SUMMARY

Total Taxable Supplies (Sales and Other Revenue)	101	00
Total Purchases	102	00

SECTION TWO - TAX CALCULATION

REFER TO THE GUIDE FOR LINE-BY-LINE EXPLANATIONS

GST Collectible	103	
GST Adjustments	104	
Total GST and adjustments for period (Add lines 103 and 104)		→ 105
Input Tax Credit (ITC)	106	
ITC Adjustments	107	
Total ITCs and adjustments (Add lines 106 and 107)		→ 108
(Subtract line 108 from line 105) Net Tax		109

OTHER CREDITS IF APPLICABLE

Paid by Instalments	110	
Rebates (See Guide)	111	
Total Other Credits (Add lines 110 and 111)		→ 112
(Subtract line 112 from line 109) Balance		113

Refund Claimed	114	
OR		
Payment Enclosed	115	

If the balance is negative, claim a refund; otherwise remit the amount owing.
A balance of less than $1.00 will neither be charged nor refunded.
All registrants must file a return, regardless of the balance.

Detach and return this portion

GOODS AND SERVICES TAX RETURN FOR REGISTRANTS

GST ACCOUNT NUMBER	PERIOD	DUE DATE
999999999	from to	

Name: 123 INC.

Total Taxable Supplies (Sales and Other Revenue)	101	0 0
Total Purchases	102	0 0
Paid by Instalments	110	
Rebates	111	

Total GST and adjustments for Period	105	
Total ITCs and adjustments	108	
NET TAX	109	
Total Other Credits	112	
BALANCE	113	
Refund Claimed	114	
Payment Enclosed	115	

The information in this return is true and complete to the best of my knowledge.

NAME: TITLE:

SIGNATURE: DATE:

It is a serious offence to make a false return.

PRESCRIBED BY THE MINISTER OF NATIONAL REVENUE UNDER THE EXCISE TAX ACT

PLEASE DO NOT WRITE BELOW THIS LINE.

D - PEAT MARWICK THORNE CONTACTS

The following individuals from the accounting firm, Peat Marwick Thorne, will be acting as resource people for member recreation organizations in connection with GST issues. If you have any GST issues that pertain to your organization which you require further guidance, please contact one of the following individuals:

Halifax Region:

Mr. Barry F. Travers, C.A.
Peat Marwick Thorne
Suite 1600, 1959 Upper Water Street
Halifax, Nova Scotia, B3J 3N2
Telephone - (902) 492-6000
Telefax - (902) 429-1307

Yarmouth Region:

Mr. David P. Saxton, C.A.
Peat Marwick Thorne
P. O. Box 67
360 Main Street
Yarmouth, Nova Scotia
B5A 4B1
Telephone - (902) 742-3584
Telefax - (902) 742-5553

Cape Breton Region:

Mrs. Sheila Gillis, C.A.
Peat Marwick Thorne
P. O. Box 1
Suite 600, 15 Dorchester Street
Sydney, Nova Scotia
B1P 5Y9
Telephone - (902) 539-3900
Telefax - (902) 564-6062